

Message Text

CONFIDENTIAL

PAGE 01 KUALA 02190 110448Z

11

ACTION PM-07

INFO OCT-01 EA-11 ISO-00 SS-20 SP-03 NSC-07 L-03 CIAE-00

INR-10 NSAE-00 RSC-01 EB-11 OMB-01 COME-00 ACDA-19

H-03 PA-04 PRS-01 USIA-15 DRC-01 /118 W

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P 110412Z MAY 74

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC PRIORITY 6918

SECDEF WASHDC PRIORITY

INFO CINCPAC PRIORITY

TREASURY WASHDC PRIORITY

CSAF WASHDC PRIORITY

C O N F I D E N T I A L KUALA LUMPUR 2190

SECDEF FOR OSD/DSAA, CINCPAC FOR J8

E.O. 11652: GDS

TAGS: MASS MY

SUBJECT: FY 74 FMS CREDIT FOR GOM F-5E PROGRAM

1. PART ONE SUMMARY OF EVENTS: MR. OXMAN, LT COL PHILLIPS, AND EMBASSY REPRESENTATIVES MET WITH GOM FINANCE AND TREASURY OFFICIALS ON FRIDAY, 10 MAY, AND REACHED QUICK AGREEMENT ON FOLLOWING: (A) GOM WILL ACCEPT US CREDIT AND BANK MIX PACKAGE OF \$18,750,000 AT AVERAGE COST OF MONEY TO US WHICH WE LEARNED FROM US EMBASSY, MANILA TO BE SEVEN AND FIVE-EIGHTS INTEREST FOR MAY; (B) THE DETAILS OF THE INTERIM CREDIT AGREEMENT, 50 PERCENT BANK LOAN, ETC., WERE EXPLAINED AND SAMPLE COPIES WERE PROVIDED FOR FURTHER STUDY. A FOLLOW-ON QUESTION AND ANSWER SESSION IS SCHEDULED FOR AM 11 MAY 74 BEFORE DOD REPRESENTATIVES DEPART FOR BANGKOK; (C) GOM GROUP OF TREASURY AND FINANCE REPRESENTATIVES PLAN TO ARRIVE IN WASHINGTON ON 22 MAY TO FINALIZE AND SIGN THE INTERIM CREDIT AGREEMENT, ASSIST TREASURY WITH DATA TO INITIATE AUCTION BID PROCEDURES FOR BANK LOAN, AND PERHAPS ALSO
CONFIDENTIAL

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PAGE 02 KUALA 02190 110448Z

SIGN THE 50 PERCENT CREDIT AGREEMENT.

2. PART TWO GENERAL COMMENTS: (A) APPARENTLY GOM DOES NOT HAVE A LEGAL PROHIBITION AGAINST BORROWING FROM BANKS FOR MILITARY PROGRAMS. (B) GOM WAS ALERTED TO THE FACT THAT THIS WILL PROBABLY BE THE LAST OPPORTUNITY TO ACQUIRE A MIXED CREDIT PACKAGE AT COST OF MONEY TO THE US. (C) GOM WAS REMINDED THAT THE US IS PAYING A SIGNIFICANT PREMIUM IN PROVIDING OVERALL COST OF MONEY INTEREST AND WE ARE DOING THIS ONLY TO MEET THE INTENTIONS AND TERMS OF THE MOU. (D) SUGGESTED TERMS ARE SIXTEEN SEMI-ANNUAL REPAYMENTS, INTERIM CREDIT INTEREST RATE OF SEVEN AND FIVE-EIGHTHS PERCENT, BANK LOAN REPAYMENT APPROX. FOUR YEARS, WITH PROVISIONS IN ANNEX C TO PAY OFF PRINCIPAL OF BANK LOAN FIRST AND THEN THE DIRECT CREDIT LOAN. INTEREST COMPUTATION PROCEDURES WOULD FOLLOW PROVISIONS OF PARA 5C OF INTERIM AGREEMENT.

3. PART THREE ACTIONS REQUIRED: (A) A VISIT REQUEST FOR THE GOM OFFICIALS WILL BE PROCESSED BY DAO SHORTLY. RECOMMEND EXPEDITIOUS APPROVAL. (B) STATE, OMB, AND TREASURY NEED TO COMPLETE GOM PROGRAM APPROVAL AND RELEASE FUNDS EXPEDITIOUSLY IN ORDER THAT AN INTERIM CREDIT AGREEMENT MAY BE SIGNED PRIOR TO JUNE WHILE GOM TEAM IS IN WASHINGTON. (C) GOM DESIRES TO USE SOME BANK LOAN FUNDS AT EARLY DATE TO PAY USAF F-5 VOUCHERS AND THEREBY REDUCE ONE-FOURTH OF ONE PERCENT COMMITMENT FEE. USAF HAD PREVIOUSLY FURNISHED DATA TO DSAA THAT \$6.4 MILLION IS SCHEDULED TO BE BILLED IN MAY AND AN ADDITIONAL \$7.1 MILLION COULD BE BILLED BY 30 JUNE. IF THIS DATA STILL VALID, IT IS SUGGESTED THAT WE COORDINATE ONCE MORE WITH TREASURY, USAF, AND DSAA COMPTROLLER ON PAYING 50 PERCENT OF THESE INVOICES WITH THE NEW BANK LOAN AND 50 PERCENT WITH THE DIRECT CREDIT LOAN. MR. AUGHAVIN HAS DATA AND SHOULD ALERT USAF AND OTHERS.
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